

NATIONAL CREDIT UNION ADMINISTRATION

NCUA News

BOARD ACTIONS JUNE 12, 2000

Update to Field of Membership Proposal has been Issued

The NCUA Board asked for comments within 60 days on proposed amendments to the field of membership policy, IRPS 99-1, incorporating changes recommended by the FOM Taskforce following an 18-month review.

Primary proposed modifications include:

1. The streamlined process for adding select employee groups to multiple common bond credit unions was raised from groups of 200 to 500 or less.
2. New and existing community credit unions must develop a Community Action Plan that describes how the credit union will serve the entire community.
3. An Internet application process is planned for select employee group expansions.
4. Two credit unions can voluntarily merge if they have the same field of membership because of sponsor restructuring.
5. Streamlined procedures for credit unions to offer service in underserved areas.

IRPS 99-1 brought uniformity to expansion policies and procedures. Combined with this year's new tracking system, which efficiently stores and retrieves field of membership and related data, NCUA is striving to shorten processing time frames.

In conclusion, the NCUA Board stressed the importance of speedy processing time for all charter, expansion, merger and conversion activity throughout the agency.

Proposed Update to Privacy Act Regulations

The NCUA Board issued a proposal to update and clarify Part 792, Subpart C & E of the regulations governing Privacy Act requirements for NCUA records with a 60-day comment period. Modifications simplify how an individual may establish his or her identity to obtain protected records, requirements for releasing medical records, and time limits for releasing information. As proposed:

1. Individuals need only submit an unsworn-declaration, subscribed to as true under penalty of perjury, to obtain their own records.
2. Non-exempt medical records must be released to individuals who request their own medical records.
3. Time limits to respond to requests are adjusted to conform to Freedom of Information Act requirements — 20 days for initial Privacy Act requests, with a 10-day extension if necessary. Appeal requests must be filed within 30 days.

The proposal also clarifies the four systems of records subject to exemptions under the Privacy Act.

Proposed Guidelines Issued on Safekeeping Member Information

The NCUA Board issued a proposed rule change to Part 748 that adds protections for member information to credit union security programs and includes an appendix to assist credit unions write their policies to safeguard member information.

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NCUA Wins Victory on CLF, Revolving Loan Fund

NCUA and credit unions scored two important victories May 8 when the House Appropriations Committee adopted a bill that includes a \$2.4 billion increase for the Central Liquidity Facility (CLF) borrowing ceiling and adds \$1 million to the Community Development Revolving Loan Program (CDRLP), with \$350,000 designated for technical assistance grants.

The final bill was significantly changed from the much less favorable VA-HUD Subcommittee version approved May 23. It would have limited the CLF borrowing cap to \$600 million and limited the additional \$1 million for the CDRLP to loans rather than also providing for the technical assistance funds that NCUA sought.

Subcommittee Chairman Jim Walsh (R-NY) offered the amendment to increase the CLF's borrowing authority to \$3 billion. Rep. Marcy Kaptur (D-OH),

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News Briefs

Consumer Reports – In the June issue of Consumer Reports, credit unions ranked first in customer satisfaction, scoring 88 percent among the credit union members surveyed versus a 63 percent satisfaction level among commercial bank customers. Reporting on the 20 top banks and “best deal” checking accounts, the article also noted credit unions are a good source for low-cost checking.

CDCU Loan Activity – Ten loans totaling \$2.4 million have been approved for community development credit unions between January 1 and May 31, 2000. A total of 77 loans amounting to \$8.9 million are outstanding. Twenty-seven technical assistance grants totaling \$121,286 have been disbursed this year.

Prompt Corrective Action — NCUA received 113 comment letters on its proposed risk-based net worth requirements for “complex” credit unions.

Accounting Manual – NCUA is in the process of drafting an accounting manual that will be targeted to credit unions under \$10 million in assets.

NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Norman D'Amours, Chairman
Yolanda T. Wheat, Board Member
Dennis Dollar, Board Member

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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Robert Blatner Selected Region VI Director



The NCUA Board has named Robert Blatner director of the Region VI office in Concord, California.

As Region VI director, Robert Blatner is responsible for

coordinating the examination and supervision activities for federal credit unions in Alaska, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.

Blatner joined NCUA in 1974 as an examiner in Southern California and moved to the regional office in 1978 as a supervision analyst. Several years later Blatner was promoted to chief of Consumer Affairs and then named the first director of Special Actions in Region VI. In 1996, he became associate regional director of Operations responsible for Region VI administrative functions. In 1998, he was appointed associate regional director of Programs responsible for managing the region's field program.

Bob Blatner holds a degree in finance from San Francisco State and is a champion mountain-bike racer.

James Patrick Joins NCUA

The NCUA Board has selected James L. Patrick to be director of Strategic Planning headquartered in the executive director's office in Alexandria effective June 19, 2000.

As Strategic Planning director, Patrick is responsible for the agency's long-range and annual planning process, which includes providing Congress with the annual NCUA plan, plus tracking and reporting on goal achievement.

New to NCUA, Mr. Patrick is a recently retired Air Force colonel. He was selected from among a wide field of candidates based on his leadership abilities and knowledge of strategic and opera-

tional planning, implementation, and performance assessment.

As a military officer, Patrick was trained in operational and strategic planning and demonstrated his abilities in various strategic planning positions from organizational to national and international levels. He was chief of Southwest Asia Plans, developing the strategic plan for Air Force support of regional conflict within the area. As Chief Operating Officer, Headquarters 11th Wing, he lead development of the organization's baseline and its strategic plan.

James Patrick has a degree in metallurgical engineering from Michigan Technological University, Houghton, Michigan, and he is currently working on an MBA in management and information systems from Ball State University, Muncie, Indiana.

Treichel Named Deputy Executive Director



Mark Treichel has been selected deputy executive director, assisting the executive director manage the day-to-day operations of NCUA.

Treichel moves to headquarters following

almost two years as the assistant regional director of operations in Albany, N.Y., managing in-house staff and operations for the Region I office. In previous assignments, Treichel was director of Risk Management in headquarters and director of Special Actions in Region VI. His career began in 1986 as an examiner in Minneapolis. A problem case officer assignment followed, and from 1991 to 1995 he was a supervisory examiner in Dallas.

Mark Treichel holds a business degree from the University of Minnesota. During his tenure at NCUA, Region V named Treichel examiner of the year, and he gained added recognition for work on conversions and training assessment.

BOARD ACTIONS

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Developed in conjunction with fellow regulatory agencies, proposed appendix A information safeguards are intended to:

1. Insure the security and confidentiality of customer records and information;
2. Protect against any anticipated threats or hazards to the security or integrity of such records; and
3. Protect against unauthorized access to or use of such records or information that would result in substantial harm or inconvenience to any customer.

The proposal was issued with a 60-day comment period.

Request for Comment on Predatory Lending Fails to Garner Board Support

The NCUA Board failed, for lack of a second, to issue a request for comment on predatory lending.

Hoodview FCU Converts to Community Charter

The NCUA Board approved the request allowing \$71 million, multi-group

Hoodview Federal Credit Union, Killeen, Texas, to convert to a community-based field of membership serving Bell and Coryell counties. With conversion, Hoodview FCU becomes a designated low-income credit union able to serve the Greater Fort Hood Area.

CU, Mutual Savings Association Can Merge

The NCUA Board approved applying the conversion procedures of rule Part 708a to the proposed merger of Caney Fork Cooperative Credit Union into Beacon Federal Mutual Savings Association. Caney Fork is a Tennessee-chartered, National Credit Union Share Insurance Fund insured credit union located in McMinnville, Tenn.

The NCUA Board delegated its authority to the Region III director to enact the merger. NCUA has no regulations specifically applicable to the proposed merger transaction. The action taken by the NCUA Board is applicable to the subject merger only and is based on the unique facts and circumstances associated with the transaction.

VICTORY ON CLF

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a long-time community development credit union (CDCU) booster, offered the amendment to transfer a portion of the CDCU appropriation to technical assistance. A provision in the amendment directs NCUA to submit additional detailed information about the CDCU loan and grant programs next year.

Chairman D'Amours deserves much of the credit for the last-minute turnaround on the CLF. He personally met with Banking Committee Chairman Jim Leach and VA-HUD Appropriations Subcommittee Chairman Jim Walsh in the days preceding the full Appropriations Committee mark-up, making the case for an increased borrowing ceiling. Plus, Chairman D'Amours was instrumental in



Carolyn Jordan

persuading Rep. Kaptur to offer the amendment to redirect funds for technical assistance rather than only loans. Executive Director Carolyn Jordan also participated in meetings with

Chairmen Leach and Walsh and coordinated NCUA staff efforts on these issues.

While optimistic that the House Appropriations Committee action is a good sign, NCUA Public & Congressional Affairs Director Bob Loftus cautions that the appropriations process is far from complete. The full House and then the Senate must still approve the bill.

Although in previous years the Senate has acceded to House wishes regarding the CLF and the CDCU Fund, the outcome is not guaranteed. PACA, CLF and CDCU staff will continue to work on these issues through the summer.

Board Amends Consumer Information Privacy Rule

Chairman Norman E. D'Amours announced June 6, 2000, that the NCUA Board unanimously voted to revise the final consumer privacy rule that was adopted at the May 8, 2000, Board meeting.

The change to Part 716 amends the requirement for a privacy and opt out notice where there is a joint relationship on a loan. The amendment requires a credit union to provide a separate initial notice and a separate opt out notice to each borrower and guarantor only if the credit union actually shares their nonpublic personal information with nonaffiliated third parties outside of one

of the permissible exceptions. This amendment does not affect the right of borrowers and guarantors to receive notices if they are otherwise entitled to receive them as members of the credit union.

Announcing the change, Chairman D'Amours said "I am pleased that the Board was able to reach a workable agreement that will provide credit union members with more privacy protection than that provided by other financial institutions. Moreover, we have accomplished this without imposing any significant burdens or competitive disadvantages on credit unions."

NCUA Reports on Large CU First Quarter Data

In the first quarter of 2000, the number of federally insured credit unions with assets over \$50 million turned in solid, steady growth and saw delinquencies decline to perhaps the lowest level in history according to balance sheet and income statement data submitted. Since the same reporting period last year, the number of large credit unions grew from 1,454 to 1,506 institutions. These institutions represent 14 percent of credit unions and 79 percent of credit union assets.

Outpacing last year's results in most categories while reflecting typical first quarter trends, loans moved ahead slightly, shares increased at a somewhat faster pace, and investments increased at a keen pace. Cited below are changes that occurred in several major balance sheet categories and pertinent ratio information reported in annualized first quarter data submitted by the nation's large, federally insured credit unions:

- Assets increased 3.2 percent, up from \$323.5 to \$334 billion;
- Loans increased 2 percent, up from \$215.1 to \$219.4 billion;
- Savings increased 4 percent, up from \$280.7 to \$291.9 billion;
- Equity increased 2.2 percent, up from \$34.3 to \$35.1 billion;
- Delinquency ratio declined, down from 0.6 to 0.5 percent; and
- Loan to share ratio decreased, down from 76.6 to 75.1 percent.

The largest category of loans, 1st mortgage real estate loans slowed its rate of growth from 4.8 percent in the first quarter of 1999 to 2.1 percent in first quarter 2000, while the actual dollar amount of these loans increased from \$63.1 to \$64.4 billion during the first quarter of 2000. The second largest loan category, auto loans, saw a slight shift as new car lending showed signs of rebounding, spurred on by the strong

economy. After several lagging years, new auto loans increased 2.8 percent, up from \$39.2 to \$40.3 billion in the first quarter. Used auto loans continued to move ahead a bit faster; increasing 3.2 percent, up from \$39.8 to \$41.1 billion in the first quarter.

Savings increased in all but one category as total savings grew 4 percent in the first quarter. Share drafts picked up 11.7 percent, showing the most significant gain. Investments increased 7 percent in the first quarter, up from \$78.9 to \$84.4 billion, with deposits in corporate credit unions increasing a significant 16.7 percent, up from \$13.8 to \$16.2 billion.

Annualized income figures also provided positive results in the first quarter. Gross income at credit unions over \$50 million increased 4.7 percent, moving up from \$24.9 to \$26.1 billion; net income after transfers gained 5.2 percent, moving up from \$2.66 to \$2.8 billion, and funds set aside for loan losses continued its trend, declining from \$1.07 to \$1.01 billion.

Key ratios illustrate the strong financial health of credit unions. The capital ratio of large, federally insured credit unions at March 31, 2000, was 11.1 percent, net capital stood at 10.5 percent, and the delinquency ratio declined to 0.5 percent. The loan to share ratio is a strong 75.1 percent.



Visit NCUA's extensive web site to get news and numbers about NCUA and credit unions. The web address is www.ncua.gov.

New Ombudsman Named

Policy Analyst Carol Bullock, with the Office of Human Resources, has been appointed ombudsman, the NCUA official responsible for resolving credit union and member disputes with NCUA or its regulatory procedures. Conflicts with examiners or examination and regulatory procedures that are not subject to other formal review are under the purview of the agency's ombudsman.

As ombudsman, Carol Bullock has the following responsibilities:

- Recommend solutions to resolve complaints;
- Refer complaints to other agency officials when appropriate;
- Follow up on Supervisory Review Committee decisions and refer any instances of agency retaliation to the appropriate office; and
- Make recommendations for changes as warranted.

Excluded from ombudsman responsibilities include complaints that are:

- Subject to formal review according to NCUA Rules and Regulations or policy statements.
- Enforcement actions where a notice of charges have been filed;
- Matters in litigation;
- Matters involving a conservatorship or liquidation; or
- Matters within the Inspector General's jurisdiction.

The ombudsman acts independent of program functions and files activity reports directly to the NCUA Board.

Submit conflicts in writing by e-mail to cbullock@ncua.gov or mailed to Carol Bullock, Office of Human Resources, 1775 Duke Street, Alex. Va. 22314-3428.

ABOUT INVESTMENTS

CD Broker Activities

You can take simple steps to avoid traps when purchasing CDs.

1. Ask the broker to quote the yield in terms of "bond equivalent yield", especially for CDs with terms exceeding 1 year. This will enable you to compare the rate to other investment options of similar maturity to determine if the CD yield is reasonable.



2. Ask the broker to put all terms of the transaction in writing before you purchase the CD. If the broker indicates the CD can be sold back to the broker at a future date, be clear on the price at which the CD will be repurchased. It will likely be purchased at the prevailing market rate, not the original purchase price.

3. Avoid transactions where the broker offers to place low-cost brokered deposits with the credit union in exchange for the credit union purchasing a CD from the broker. Typically, these transactions result in the credit union purchasing a long-term CD at below market rates and receiving short-term deposits. When the short-term deposits mature, the credit union may have to pay a higher rate to retain these funds or find an alternative source. This could result in a narrower or even negative spread between the interest earned and dividends paid.

4. Request all CDs obtained through a broker (and all investments as well) be held with the credit union's approved safekeeper, not the broker's safekeeper.

Questions may be directed to the Investment Hotline at (800) 755-5999 between 1-4 p.m. eastern standard time.



Who and What: Board Member Dennis Dollar will attend and participate in the Association of Corporate Credit Union's summer meeting.

When: 9 a.m., July 14, 2000

Where: Doubletree Hotel, 315 4th Avenue North, Nashville, Tenn.

Why: Participant feedback is solicited and considered on NCUA initiatives and policies. A Q&A session is scheduled.

Contact: Kirk Cuevas for additional information at 703-518-6306 or jcuevas@ncua.gov

Who and What: Board Member Dennis Dollar will attend and participate in the World Council of Credit Unions' International Credit Union Forum.

When: Sunday, July 16, 2000

Where: Opryland Hotel, Nashville, Tenn.

Why: Participant feedback is solicited and considered on NCUA initiatives and policies. A Q&A session is scheduled.

Contact: Kirk Cuevas for additional information at 703-518-6306 or jcuevas@ncua.gov

What: Board Member Yolanda Townsend Wheat will address the Western CUNA Management Conference.

When: July 19, 2000

Where: Claremont College, Pomona, Calif.

Why: Participant feedback is encouraged on any NCUA policy or regulation under consideration.

Contact: Margaret Broadway of Board Member Wheat's office for additional information at 703-518-6313 or margeb@ncua.gov

Who and What: Chairman Norman E. D'Amours will attend and address the annual conference of the National Association of Federal Unions.

When: Saturday, July 22, 2000

Where: Hilton Hawaiian Village, 2005 Kalia Road, Honolulu.

Why: Participant feedback is encouraged on any NCUA policy or regulation under consideration.

Contact: Cherie Umbel in Public & Congressional Affairs for additional information at 703 518-6330 or cumbel@ncua.gov

Who and What: Board Member Dennis Dollar will attend and address the National Association of Federation Credit Union conference.

When: Saturday Morning, July 22, 2000

Where: Hilton Hawaiian Village, 2005 Kalia Road, Honolulu.

Why: Participant feedback will be solicited and considered on any NCUA initiative or policy. A Q&A session is scheduled.

Contact: Kirk Cuevas for additional information at 703-518-6306 or jcuevas@ncua.gov

NCUA Board Members attend the National Federation Annual Meeting

The NCUA Board attended the early June annual meeting of the National Federation of Community Development Credit Unions (NFCDCU) in Denver, Colo.

Chairman Norman E. D'Amours told the audience June 9 that he intends to continue his battle to secure more economic development specialists (EDS) at NCUA. He said the agency's cadre of 12 EDS is overworked and in great need of additional people. He praised the present specialists for doing a tremendous job in helping small and low-income credit unions, but he said a minimum of 60 EDS positions are necessary to really get the job done.

The chairman also stressed the need for community development credit unions to examine and comment on the RegFlex proposal to ensure that the well being of small credit unions is preserved under RegFlex.

Lastly, the Chairman praised the NCUA Board for its recent community action plan proposal. He said, "I am delighted that an idea I have been pursuing for a number of years has finally been proposed."



June 8, Denver, Colo. — NCUA Board Member Yolanda Wheat speaks with Woodrow Keown (left), Board Chair of the National Federation of Community Development Credit Unions (NFCDCU), and Erwin Scales, Board Secretary of NFCDCU, at the 26th Annual NFCDCU Conference.

They discussed recent NCUA Board actions on predatory lending, proposed changes to the field of membership and chartering manual, especially elimination of regulatory hurdles that prevent expansion into underserved areas, and the community action plan that Wheat proposed, which requires a community chartered credit union to develop a plan that details how it will provide service to an entire geographic community.



June 9, Colorado Springs, Colo. — Board Member Dennis Dollar (right) with John Paul Unruh, Peoples Credit Union, and Bill Becker, Sunrise Credit Union, at the open forum he hosted after attending Federation meeting opening ceremonies in Denver the previous day.

Over 50 credit union managers and volunteers attended the fourth open forum Mr. Dollar hosted to exchange ideas about a variety of issues ranging from prompt corrective action to RegFlex. Dollar said, "The insight and feedback I gain through these frank, candid discussions is invaluable to me as a member of the Board."

NCUA News

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